

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----091977 022028Z /41

R 021820Z MAR 78
FM AEMBASSY BRUSSELS
TO SECSTATE WASHDC 0000
INFO AMEMBASSY BONN

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 04131

EXDIS

USEEC

WHITE HOUSE FOR MR. HENRY OWEN. TREASURY FOR SECRETARY
BLUMENTHAL. CEA FOR CHAIRMAN SCHULTZE. DEPT FOR UNDER
SECRETARY COOPER

E.O. 11652: GDS
TAGS: EEC, ECIN
SUBJECT: ECONOMIC SUMMITRY

1. EC COMMISSION PRESIDENT ROY JENKINS THINKS THE ALL-
LOCOMOTIVES-PULLING CONCEPT MAY IN THE END PROVE ATTRACT-
IVE TO SCHMIDT. HOWEVER, JENKINS SHOWED CONSIDERABLY
LESS CERTAINTY ABOUT THIS THAN HAD A PARTICIPANT IN THE
RECENT EC RESTRICTED FINANCE MINISTERS' MEETING.
2. JENKINS IS CURRENTLY DOING THE ROUNDS, HOLDING BRIEF
DISCUSSIONS WITH HEADS OF GOVERNMENT IN PREPARATION FOR
COPENHAGEN EC SUMMIT APRIL 7-8. SO FAR HE HAS SEEN
GISCARD, LYNCH, JORGENSEN, AND SCHMIDT. ON BASIS THESE
TALKS, HE TELLS ME THERE COULD WELL BE INTERESTING DE-
VELOPMENTS ON MACROECONOMIC FRONT FROM COPENHAGEN SUMMIT
AND FROM BREMEN SUMMIT IN JULY WHICH IS EXPECTED TO
IMMEDIATELY PRECEDE NEXT SUMMIT OF INDUSTRIALIZED DEMO-
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CRACIES.

3. JENKINS TOLD ME HE HAD FOUND SCHMIDT EARLIER THIS
WEEK TO BE UPTIGHT ABOUT THE DOLLAR, TO BE CONCERNED
ABOUT PRINTERS' STRIKE (FIRST POSTWAR STRIKE IN GERMANY
OPPOSING TECHNOLOGICAL IMPROVEMENTS), EXTENT OF METAL
WORKERS PAY DEMANDS, AND MOST OF ALL ABOUT RAPID RISE OF

GERMAN MONEY SUPPLY WHICH IS WELL ABOVE BUNDESBANK MONETARY TARGETS. JENKINS THOUGHT SCHMIDT ALSO WAS IN SOME DOUBT CONCERNING THE PRESIDENT'S INTENTIONS WITH RESPECT TO A BONN SUMMIT. JENKINS PRESSED ME ABOUT WHAT I KNEW ABOUT THIS. I REPLIED NOTHING THAT I COULD CONFIRM OFFICIALLY, BUT EXPRESSED A PERSONAL BELIEF THAT THE PRESIDENT WOULD PARTICIPATE.

4. JENKINS TOLD ME HE HAD PAINTED A WORST-CASE SCENARIO FOR SCHMIDT FOR THE SUMMIT. ASSUME, HE SAID, THAT EC-JAPANESE RELATIONS ARE AT THE BREAKING POINT, THAT THE DOLLAR DECLINE IS CONTINUING UNCHECKED, THAT THERE IS GREAT UNCERTAINTY ABOUT THE POLICIES OF THE NEW FRENCH AND ITALIAN GOVERNMENTS, AND THAT THERE IS A CRISIS IN THE TOKYO-ROUND. SCHMIDT APPARENTLY FOUND THESE TO BE SOBERING THOUGHTS BUT AN IMPROBABLE COMBINATION OF ADVERSE DEVELOPMENTS. HE HAD, HOWEVER, APPARENTLY SAID TO JENKINS THAT THE BONN SUMMIT COULD NOT BE A RERUN OF THE DOWNING STREET SUMMIT.

5. SEPARATELY I HAVE BEEN TOLD BY A PARTICIPANT IN THE RESTRICTED EC FINANCE MINISTERS LUNCH OF FEBRUARY 20 (SEE BRUSSELS 3398) THAT HEALEY CLEARLY INDICATED HE WAS READY TO TAKE AN EXPANSIONIST APPROACH IN THE UK BUT WANTED OTHER EC STATES TO MOVE WITH HIM; THAT THE FRENCH WERE CERTAIN, WHOEVER WON THE ELECTION, THEY WOULD PURSUE A CONFIDENTIAL

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MORE EXPANSIONIST POLICY; THAT OTHERS (EXCEPT THE ITALIANS) WOULD FALL IN LINE, AND THAT THE NEW GERMAN FINANCE MINISTER INDICATED GERMAN POLICY COULD BE CHANGED BY MID-YEAR BUT THAT IT WAS CRITICAL FOR INTERNAL DOMESTIC REASONS THAT NO INDICATION OF THIS BECOME APPARENT PRIOR TO SETTLEMENT OF MAJOR WAGE NEGOTIATIONS. THIS SOURCE STATES THAT THE EC COMMISSION (ORTOLI AND JENKINS) AND THE DANISH PRESIDENCY WILL WORK TOGETHER AND DEVELOP CONCERTED EXPANSION PLANS FOR DISCUSSION AT COPENHAGEN AND FOR A DECISION AT THAT TIME TO REFER PROGRAM BACK FOR FURTHER CONSIDERATION PRIOR TO ADOPTION AT THE BREMEN SUMMIT IN EARLY JULY.

6. WHEN I TRIED THIS ON JENKINS AS A POSSIBLE SCENARIO AND SOUGHT HIS REACTION, HE SMILED INSCRUTABLY. LATER HE ASKED ME IF THERE WAS "A DEAL" TO BE HAD INVOLVING US COMMITMENTS ON THE DOLLAR AND EC, INCLUDING FRG, EXPANSION. I SAID I DID NOT KNOW, BUT PERSONALLY COULD SEE NO REASON FOR THE US TO PAY EUROPE FOR DOING WHAT WAS IN EUROPE'S OWN BEST INTEREST.

7. JENKINS ALSO ASSERTED THAT HIS EMU PROPOSAL COULD HELP

RESTORE STABILITY TO EXCHANGE MARKETS, THAT IT WOULD BE
IN US INTEREST TO SUPPORT IT, AND THAT HE WAS NOT PESSI-
MISTIC REGARDING CHANCES OF ITS EVENTUAL ADOPTION.

8. COMMENT: IT STRIKES ME THAT THERE IS EITHER SOMETHING
IMPORTANT GOING ON IN THE COMMUNITY OR THIS IS ALL NON-
SENSE. I DON'T KNOW ENOUGH ABOUT THE OVERALL STATE OF
PLAY TO DECIDE, BUT I DO THINK SECRETARY BLUMENTHAL AND
CEA CHAIRMAN SCHULTZE SHOULD SEE FRANCOIS ORTOLI, COMMIS-

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 04131

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USEEC

SION VICE PRESIDENT FOR FINANCE AND ECONOMICS, WHEN HE
PASSES THROUGH WASHINGTON ON APRIL 27. IN DEPTH CON-
VERSATIONS SHOULD HELP THE USG TO MAKE AN INFORMED
JUDGMENT. HINTON

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